

## 4. MITIGATION FEE ACT FINDINGS

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Development impact fees are one-time fees typically paid when a building permit is issued and imposed on development projects by local agencies responsible for regulating land use (cities and counties). To guide the widespread imposition of public facilities fees, the State Legislature adopted the *Mitigation Fee Act (Act)* with Assembly Bill 1600 in 1987 and subsequent amendments. The *Act*, contained in *California Government Code* Sections 66000 through 66025, establishes requirements on local agencies for the imposition and administration of fee programs. The *Act* requires local agencies to document five findings when adopting a fee.

Sample text that may be used for the five statutory findings required for adoption of the RTCIP impact fee are presented in this chapter and supported in detail by the *Nexus Analysis* chapter of this report. All statutory references below are to the *Act*. This sample framework for the mitigation fee act findings is only to provide local agencies with guidance and is not a substitute for legal advice. Local agencies should customize the findings for their jurisdiction and consult with their legal counsel prior to adoption of the RTCIP impact fee.

### PURPOSE OF FEE

For the first finding the local agency must:

Identify the purpose of the fee. (§66001(a)(1))

SANDAG policy as expressed through the TransNet Extension Ordinance and Expenditure Plan (Commission Ordinance 04-01) is that new development shall contribute towards the Regional Arterial System (RAS) through the Regional Transportation Congestion Improvement Program (RTCIP). The purpose of the RTCIP impact fee is to implement this policy. The fee advances a legitimate public interest by enabling SANDAG to fund improvements to transportation infrastructure required to accommodate new development.

### USE OF FEE REVENUES

For the second finding the local agency must:

Identify the use to which the fee is to be put. If the use is financing public facilities, the facilities shall be identified. That identification may, but need not, be made by reference to a capital improvement plan as specified in Section 65403 or 66002, may be made in applicable general or specific plan requirements, or may be made in other public documents that identify the public facilities for which the fee is charged. (§66001(a)(2))

The RTCIP impact fee will fund expanded facilities on the Regional Arterial System (RAS) to serve new development. These facilities include:

- ♦ Roadway widening;
- ♦ Roadway extension;
- ♦ Traffic signal coordination and other traffic improvements;

- ♦ Freeway interchanges and related freeway improvements;
- ♦ Railroad grade separations; and
- ♦ Improvements required for regional express bus and rail transit.

Costs for planned traffic facilities are preliminarily identified in this report. Costs funded by the RTCIP impact fee may include project administration and management, design and engineering, right-of-way acquisition, and construction. More detailed descriptions of planned facilities, including their specific location, if known at this time, are shown in the SANDAG's *Regional Transportation Plan* and other documents. Local agencies implementing the RTCIP may change the list of planned improvements to meet changing circumstances and needs, as they deem necessary. Fee revenues will be used for the sole purpose of expanding capacity on the RAS to accommodate new development. The RTCIP impact fee will not be used for the purpose of correcting existing deficiencies in the roadway system.

## BENEFIT RELATIONSHIP

For the third finding the local agency must:

Determine how there is a reasonable relationship between the fee's use and the type of development project on which the fee is imposed. (§66001(a)(3))

The local agency will restrict fee revenues to capital projects that expand capacity on the RAS to serve new development. Improvements funded by the RTCIP impact fee will expand a region-wide arterial system accessible to the additional residents and workers associated with new development. SANDAG has determined that the planned projects identified in this report will expand the capacity of the Regional Arterial System to accommodate the increased trips generated by new development. Thus, there is a reasonable relationship between the use of fee revenues and the residential and nonresidential types of new development that will pay the fee.

## BURDEN RELATIONSHIP

For the fourth finding the local agency must:

Determine how there is a reasonable relationship between the need for the public facility and the type of development project on which the fee is imposed. (§66001(a)(4))

New dwelling units and building square footage are indicators of the demand for transportation improvements needed to accommodate growth. As additional dwelling units and building square footage are created, the occupants of these structures generate additional vehicle trips and place additional burdens on the transportation system.

The need for the RTCIP impact fee is based on SANDAG transportation model projections of growth that show an increase in vehicle hours of delay on the RAS primarily as a result of new development even with planned improvements to that system. The model estimated impacts from new development based on trip generation rates that varied by land use category, providing a reasonable relationship between the type of development and the need for improvements.

## PROPORTIONALITY

For the fifth finding the SANDAG must:

Determine how there is a reasonable relationship between the amount of the fee and the cost of the public facility or portion of the public facility attributable to the development on which the fee is imposed. (§66001(b))

This reasonable relationship between the RTCIP impact fee for a specific development project and the cost of the facilities attributable to that project is based on the estimated vehicle trips the project will add to the Regional Arterial System. The total fee for a specific residential development is based on the number and type of new dwelling units multiplied the trip generation rate for the applicable residential land use category. The fee for a specific nonresidential development is based in a similar manner on the amount of building square footage by land use category. Larger projects generate more vehicle trips and pay a higher fee than smaller projects of the same land use category. Thus, the fee schedule ensures a reasonable relationship between the RTCIP impact fee for a specific development project and the cost of the Regional Arterial System improvements facilities attributable to the project.



## APPENDIX A: REGIONAL ARTERIAL SYSTEM

Table A.1 lists the arterials included in the Regional Arterial System by the *Regional Transportation Plan* adopted in 2005.

**Table A.1: Regional Arterial System**

Arterial	Limits
1st St	A St - K St.
2nd St	Greenfield Dr - Main St
30th St	National City Blvd - 2 <sup>nd</sup> St
32nd St	Harbor Dr - Norman Scott Rd
54th St	El Cajon Blvd - SR94
70th St	University Ave - I-8
Ardath Rd	Hidden Valley Rd - I-5
Avocado Ave	Main St - Chase Ave
Avocado Blvd	Chase Ave - SR94
Balboa Ave	Mission Bay Dr - I-15
Ballantyne St	Broadway - Main St
Barham Dr	La Moree Rd - Mission Rd
Barnett Ave	Saint Charles St - Pacific Highway
Bay Marina Way (24th St)	I-5 - Terminal Ave
Bear Valley Pkwy	East Valley Pkwy - Sunset Dr
Bernardo Center Dr	Camino Del Norte - I-15
Beyer Blvd	Main St - Dairy Mart Road
Black Mountain Rd	Del Mar Heights - Pomerado Rd
Bobier Dr	Melrose Dr - E Vista Way
Bonita Rd	E St - San Miguel Rd
Borden Rd	Las Posas Rd - Woodland Pkwy
Borrego Springs Rd/Yaqui Pass Rd (S-3)	Palm Canyon Dr (S-22)- SR78
Bradley Ave	Marshall Ave - 2nd St
Broadway (El Cajon)	SR67 - E. Main St.
Broadway (Lemon Grove)	Spring St - College Ave
Broadway (San Diego)	C St - Main St
Broadway (Vista)	Lincoln Pkwy/SR78 - Washington Ave
Buckman Springs Rd/Hwy 80/Sunrise Hwy (S-1)	SR94 - SR79
Buena Creek Rd	Las Posas Rd - Twin Oaks Valley Rd
Cabrillo Dr (SR209)	Cochran St - Cabrillo Monument
Camino del Norte	Camino Ruiz - Pomerado Rd
Camino Del Rio North	Mission Center Rd - Mission Gorge Rd
Camino Ruiz	Camino del Norte - SR56
Camino Santa Fe Ave	Sorrento Valley Blvd - Miramar Rd
Cannon Rd	Carlsbad Blvd - Melrose Dr
Cannon Road	Melrose Drive - SR 78
Canon St	Rosecrans St - Jennings St
Carlsbad Blvd	Eaton St - La Costa Ave

**Table A.1: Regional Arterial System (continued)**

Arterial	Limits
Carlsbad Village Dr	I-5 - Coast Blvd/Coast Hwy
Carmel Mountain Rd	Sorrento Valley Rd - El Camino Real
Carmel Valley Rd	North Torrey Pines Rd - El Camino Real
Centre City Pkwy	I-15(N) - I-15(S)
Citracado Pkwy	Centre City Pkwy - SR78
Clairemont Mesa Blvd	I-15 - Moraga Ave
Coast Hwy (S-21)	La Costa Ave - Via de la Valle
College Ave	Federal Blvd - Waring Rd
College Blvd	North River Rd - Palomar Airport Rd
Community Rd	Twin Peaks Rd - Scripps Poway Pkwy
Convoy St	Linda Vista Rd - SR 52
Crosby St	I-5 - Harbor Dr
Cuyamaca St	Mission Gorge Rd - Marshall Ave
Dairy Mart Rd	SR-905 - I-5
Deer Springs Rd	Twin Oaks Valley Rd - I-15
Dehesa Road	Jamacha Rd - Harbison Canyon Rd
Dehesa Road*	Harbison Canyon Rd - Sycuan Rd
Del Dios Hwy	Via Rancho Pkwy - Claudan Rd
Del Mar Heights Rd (SA 710)	I-5 - Camino Del Norte
Discovery St	San Marcos Blvd - La Moree Rd
Douglas Dr	SR76 (Mission Ave) - North River Rd
E St	I-5 - E Bonita Rd
East H St	Hilltop Dr - Mount Miguel Rd
East Main St	Broadway - Greenfield Dr
East Valley Pkwy	Lake Wohlford Rd - East Valley Pkwy
East Via Rancho Pkwy	Broadway - Bear Valley Pkwy
East Vista Way	Vista Village Dr - SR76
El Cajon Blvd	Park Blvd - I-8
El Cajon Blvd	Chase Ave - Washington Ave
El Camino Real	Via de la Valle - Carmel Valley Rd/SR56
El Camino Real	SR 56 - Carmel Mountain Rd
El Camino Real (S-11)	Douglas Dr - Manchester Ave
El Norte Pkwy	Woodland Pkwy - Washington Ave
Encinitas Blvd	First St - El Camino Real
Espola Rd	Summerfield Ln - Poway Rd
Euclid Ave	SR94 - Sweetwater Rd
Fairmount Ave	I-8 - El Cajon Blvd
Faraday Ave	Melrose Dr - College Blvd
Federal Blvd	College Ave - SR94
Fletcher Pkwy	I-8 - SR-67
Friars Rd	Sea World Dr - Mission Gorge Rd
Garnet Ave	Balboa - Mission Bay Dr
Genesee Ave	N. Torrey Pines Rd - SR163
Gilman Dr	La Jolla Village Dr - I-5
Grand Ave	Mission Blvd to Mission Bay Dr

**Table A.1: Regional Arterial System (continued)**

Arterial	Limits
Grape St	North Harbor Dr - I-5
Greenfield Dr	E Main St - I-8
Grossmont Center Dr	I-8 - Fletcher Pkwy
H St	I-5 - Hilltop Dr
Harbor Dr	Pacific Hwy - I-5 (National City)
Hawthorn St	I-5 - North Harbor Dr
Heritage Rd	Otay Mesa Rd - Siempre Viva Rd
Hill St	I-5 (Oceanside) - Eaton St
Hunte Pkwy	Proctor Valley Rd - SR 125
Imperial Ave	Valencia Pkwy - Lisbon St
Jackson Dr	Mission Gorge Rd - I-8
Jamacha Blvd	Sweetwater Pkwy - SR94
Jamacha Rd	Main St - SR94
Kearny Villa Rd	Pomerado Rd - Waxie Way
Kettner Blvd	I-5 - India St
L St	I-5 - I-805
La Costa Ave	Carlsbad Blvd - El Camino Real
La Jolla Village Dr	North Torrey Pines Rd - I-805
La Media Rd	Telegraph Canyon Rd - SR905
La Mesa Blvd	University Ave - I-8
Lake Jennings Rd	Mapleview St - I-8
Lake Murray	I-8 - Navajo Rd
Lake Wohlford Rd	Valley Ctr Road (N) - Valley Ctr Rd (S)
Las Posas Rd	Discovery St - Buena Creek Rd
Laurel St	North Harbor Dr - I-5
Lemon Grove Ave	Lisbon St - SR94
Leucadia Blvd	1st St - El Camino Real
Linda Vista Rd	Morena Blvd - Convoy St
Lomas Santa Fe Ave	I-5 - Coast Hwy
Lytton St	Rosecrans St - Saint Charles St
Main St	I-5 - Hilltop Dr
Manchester Ave	El Camino Real - I-5
Mapleview St	SR67 - Lake Jennings Rd
Mar Vista Dr	Buena Vista Dr - SR78
Market St	Harbor Dr - Valencia Pkwy
Marshall Ave	Fletcher Pkwy - West Main St
Marshall Ave	Cuyamaca - Fletcher Pkwy
Marshall Ave	Main St - Washington Ave
Massachusetts Ave	Broadway - University Ave
Massachusetts Ave	Lemon Grove Ave - Broadway Ave
Melrose Dr	SR76 - Rancho Santa Fe Rd
Mira Mesa Blvd	I-805 - I-15
Miramar Rd	I-805 to I-15
Mission Ave	Andreason Dr - Center City Pkwy
Mission Ave	Escondido Blvd - Broadway Ave
Mission Ave	Coast Hwy - Frazee Rd

**Table A.1: Regional Arterial System (continued)**

Arterial	Limits
Mission Bay Dr	Grand Ave to I-5
Mission Gorge Rd	I-8 - Magnolia Ave
Mission Rd	Rancho Santa Fe Rd - Andreason Dr
Mission Road (S-13; incl. Main St in Fallbrook)	I-15 - SR76
Montezuma Rd	Fairmount Ave - El Cajon Blvd
Montezuma Valley Rd/Palm Canyon Dr (S-22)	SR79 - Imperial Co Line
Morena Blvd	Balboa Ave - I-8
National City Blvd	I-5 - C St
Navajo Rd	Waring Rd - Fletcher Pkwy
Nimitz Blvd	I-8 - Harbor Dr
Nobel Dr	I-5 - I-805
Nordahl Rd	SR78- Nordahl Rd
North Harbor Dr	Rosecrans St - Grape St
North River Rd	Douglas Dr - SR76 (Mission Rd)
North Santa Fe Ave	SR76 - Melrose Dr
North Torrey Pines Rd (S-21)	Carmel Valley Rd - La Jolla Village Dr
Ocean View Hills Pkwy	I-805 - SR905
Oceanside Blvd	Hill St - Melrose Dr
Old Highway 80	SR79 - Sunrise Hwy
Old Highway 80	Buckman Springs Rd - I-8 (In-ko-pah)
Olivehain Rd	El Camino Real - Rancho Santa Fe Rd
Olympic Pkwy	Brandywine Ave - SR125
Orange Ave	Palomar St - Brandywine Ave
Otay Lakes Rd	Bonita Rd - SR 94
Otay Mesa Rd	SR905 - SR125
Otay Valley Rd	Hilltop Dr - Heritage Rd
Pacific Highway	Sea World Dr - Harbor Dr
Palm Ave	I-5 - I-805
Palomar Airport Rd	Carlsbad Blvd - Business Park Dr
Palomar St	I-5 - Orange Ave
Paradise Valley Rd	8th Street - Sweetwater Pkwy
Paseo Ranchero	East H St - Otay Mesa Rd
Plaza Blvd	National City Blvd - 8th St
Poinsettia Lane	Carlsbad Blvd - Melrose Dr
Pomerado Rd	I-15 (N) - I-15 (S)
Poway Rd	I-15 - SR67
Proctor Valley Rd	Mount Miguel Rd - Hunte Pkwy
Questhaven Rd	Twin Oaks Valley Rd - Rancho Santa Fe Rd
Rancho Bernardo Rd	I-15 - Summerfield Ln
Rancho Del Oro Dr	SR 78 - SR 76
Rancho Penasquitos Blvd	SR56 - I-15
Rancho Santa Fe Rd	Mission Rd - Olivenhain Rd
Regents Rd	Moraga Ave - Genesee Ave
Rosecrans St	I-8 - Canon St
Ruffin Rd	Waxie Way - Balboa Ave
San Felipe Rd/Great S. Overland Route (S-2)	S-22 - Imperial Co Line



**Table A.1: Regional Arterial System (continued)**

Arterial	Limits
San Marcos Blvd	Business Park Dr - Mission Rd
Scripps Poway Pkwy	I-15 - SR67
Sea World Dr	W Mission Bay Dr - Morena Blvd
Siempre Viva Rd	Heritage Rd - SR905
Sorrento Valley Blvd	Sorrento Valley Rd - Camino Santa Fe Ave
Sorrento Valley Rd	Carmel Mountain Rd - I-805
South Santa Fe Ave	Broadway (Vista) - Pacific St
Sports Arena Blvd	Sea World Dr - Rosecrans St/SR209
Spring St	I-8 - SR125
SR75	No limits
Sunrise Highway	SR79 - I-8
Sunset Cliffs Blvd	I-8 - W Mission Bay Dr
Sweetwater Rd	2nd St - Willow St
Sweetwater Rd	2nd St to Willow St
Sweetwater Road	Broadway Ave - Troy St
Sycamore Avenue	South Santa Fe Avenue - S. Melrose Dr
Ted Williams Pkwy	I-15 - Twin Peaks Rd
Telegraph Canyon Rd	I-805 - Otay Lakes Rd
Torrey Pines Rd	Prospect Pl - La Jolla Village Dr
Twin Oaks Valley Rd	Deer Springs Rd - Questhaven Rd
Twin Peaks Rd	Pomerado Rd - Espola Rd
Twin Peaks Rd	Ted Williams Pkwy - Espola Rd
University Ave	54th St - La Mesa Blvd
Valencia Pkwy	Market - Imperial Ave
Valley Center Rd	SR76 - Lake Wohlford Rd
Vandegrift Blvd	North River Rd - Camp Pendleton
Via de la Valle	Hwy 101 (S-21) - El Camino Real
Via Rancho Pkwy	I-15 - Del Dios Hwy
Via Rancho Pkwy	Sunset Dr - I-15
Vista Sorrento Pkwy	Sorrento Valley Blvd - Carmel Mtn Rd
Wabash Blvd	Norman Scott Rd - I-5
Washington Ave	El Norte Pkwy - Center Valley Pkwy
Washington Ave	El Cajon Blvd - Jamacha Rd
Washington St	Pacific Hwy - Park Blvd
West Main St	I-8 - Marshall Ave
West Valley Pkwy	Claudan Rd - Broadway
West Vista Way	Jefferson St/SR78 - Vista Village Dr
Wildcat Canyon Rd*	Mapleview Street - San Vicente Rd
Willow St	Sweetwater Rd - Bonita Rd
Willow St	Sweetwater - Bonita Rd
Willows Road	I-8 - Viejas Casino
Winter Gardens Blvd	SR67 - Greenfield Dr
Woodland Dr	Barham Dr - El Norte Pkwy
Woodside Ave	Magnolia Ave - SR67

\* Inclusion in Regional Arterial System contingent upon designation as a four-lane arterial by the County of San Diego.



## APPENDIX B: RETAIL SPENDING AND SALES ANALYSIS

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This appendix presents the analysis conducted to estimate the amount of commercial development within San Diego County that is associated with spending by local (San Diego County) households. The following steps summarize the approach taken for the analysis and are explained in more detail below.

1. Estimate total potential spending by local households based on estimates of per household spending by retail category;
2. Compare total local household spending potential with total retail sales to estimate by retail category:
  - a. Leakage of spending by local households to retail establishments outside the County,
  - b. Capture of sales from visitors outside the County by local retail establishments;
3. Calculate the share of retail sales associated with local household spending; and
4. Validate the estimate of total local household spending by analyzing visitor industry data.

All data is from 2004 because this was the last complete year of retail sales data available from the State Board of Equalization (SBOE) at the time of this report.

### TOTAL HOUSEHOLD SPENDING

Total spending by San Diego households is estimated by adjusting per household spending based on statewide data for the difference in median household income between the State and the County.

As an initial step in the analysis, statewide taxable retail sales by category were compared with San Diego County sales to determine if any anomalies existed in San Diego sales patterns that should be accommodated in the model. As shown in **Table B.1**, San Diego has about \$44 billion in taxable retail sales in 2004 compared to statewide sales of \$500 billion. Sales patterns in the County are very similar to the statewide sales though the County has slightly more spending in retail stores compared to non-retail stores. The retail store categories that exhibit higher levels of spending compared to the state as a whole (apparel, general merchandise, specialty, and food and beverage) are associated with visitor spending, indicative of San Diego's strong tourism industry. We also conjecture that the higher levels of spending in the building material category are associated with spending by Mexican visitors, though we could not find specific data to support this hypothesis.

Table B.1 - Taxable Retail Sales (2004)

Retail Category	Taxable Retail Sales 2004 (\$000s)		Percent of Category		
	San Diego County	California	San Diego County	California	Difference
<b><u>Apparel Stores</u></b>					
Women's Apparel	420,000	4,617,000	0.9%	0.9%	0.0%
Men's Apparel	107,000	1,034,000	0.2%	0.2%	0.0%
Family Apparel	907,000	8,819,000	2.0%	1.8%	0.3%
Shoes	210,000	2,487,000	0.5%	0.5%	(0.0%)
Subtotal	1,644,000	16,957,000	3.7%	3.4%	0.3%
<b><u>General Merchandise</u></b>					
General Merchandise	4,721,000	47,948,000	10.6%	9.6%	1.0%
Drug Store	484,000	5,992,000	1.1%	1.2%	(0.1%)
Subtotal	5,205,000	53,940,000	11.7%	10.8%	0.9%
<b><u>Specialty</u></b>					
Gift, Art Goods, Novelty	167,000	1,858,000	0.4%	0.4%	0.0%
Sporting Goods	353,000	3,652,000	0.8%	0.7%	0.1%
Florists	122,000	1,078,000	0.3%	0.2%	0.1%
Photo Equip., and Supplies	37,000	523,000	0.1%	0.1%	(0.0%)
Musical Instruments	121,000	1,516,000	0.3%	0.3%	(0.0%)
Stationery and Books	356,000	4,018,000	0.8%	0.8%	(0.0%)
Jewelry	258,000	2,638,000	0.6%	0.5%	0.1%
Office and School Supply	1,411,000	15,661,000	3.2%	3.1%	0.0%
Other Specialties	1,716,000	18,018,000	3.9%	3.6%	0.3%
Subtotal	4,541,000	48,962,000	10.2%	9.8%	0.4%
<b><u>Grocery</u></b>					
Grocery - All Type Liq.	1,005,000	12,550,000	2.3%	2.5%	(0.2%)
Grocery - All Other	732,000	7,276,000	1.6%	1.5%	0.2%
Subtotal	1,737,000	19,826,000	3.9%	4.0%	(0.1%)
<b><u>Food and Beverage</u></b>					
Restaurant - No Alcohol	1,890,000	19,960,000	4.3%	4.0%	0.3%
Restaurant - Bar - Beer-Wine	795,000	10,792,000	1.8%	2.2%	(0.4%)
Restaurant - Bar - All Type Liq.	1,363,000	12,523,000	3.1%	2.5%	0.6%
Subtotal	4,048,000	43,275,000	9.1%	8.7%	0.4%
<b><u>Household</u></b>					
Home Furnishings	1,162,000	11,991,000	2.6%	2.4%	0.2%
Household Appliances	387,000	4,414,000	0.9%	0.9%	(0.0%)
Subtotal	1,549,000	16,405,000	3.5%	3.3%	0.2%
<b><u>Building Material</u></b>					
Building Material	2,649,000	25,603,000	6.0%	5.1%	0.8%
Hardware Stores	231,000	3,392,000	0.5%	0.7%	(0.2%)
Plumbing and Elec. Supply	414,000	4,086,000	0.9%	0.8%	0.1%
Paint, Glass, Wallpaper	47,000	1,074,000	0.1%	0.2%	(0.1%)
Subtotal	3,341,000	34,155,000	7.5%	6.8%	0.7%
<b><u>Automotive</u></b>					
Auto Dealers - New	5,541,000	59,683,000	12.5%	11.9%	0.5%
Aut Dealers - Used	551,000	5,752,000	1.2%	1.2%	0.1%
Auto Supplies and Parts	421,000	5,334,000	0.9%	1.1%	(0.1%)
Service Stations	2,805,000	32,760,000	6.3%	6.6%	(0.2%)
Subtotal	9,318,000	103,529,000	21.0%	20.7%	0.3%
<b><u>Other Retail Stores</u></b>					
Liquor Stores	186,000	2,350,000	0.4%	0.5%	(0.1%)
Second-hand Merch.	66,000	534,000	0.1%	0.1%	0.0%
Farm Impl. Dealers	177,000	2,976,000	0.4%	0.6%	(0.2%)
Farm and Garden Supply	95,000	2,386,000	0.2%	0.5%	(0.3%)
Fuel and Ice Dealers	9,000	321,000	0.0%	0.1%	(0.0%)
Mobile Home and Camper	108,000	1,453,000	0.2%	0.3%	(0.0%)
Boat, Motorcycle, Plane	321,000	3,104,000	0.7%	0.6%	0.1%
Subtotal	962,000	13,124,000	2.2%	2.6%	(0.5%)
Subtotal Retail Stores	32,345,000	350,173,000	72.7%	70.0%	2.7%
<b><u>Non-Retail Stores</u></b>					
Business and Personal Services	2,147,000	22,307,000	4.8%	4.5%	0.4%
All Other Outlets	9,978,000	127,597,000	22.4%	25.5%	(3.1%)
Subtotal	12,125,000	149,904,000	27.3%	30.0%	(2.7%)
Total	44,470,000	500,077,000			

Source: Taxable Sales in California (Sales &amp; Use Tax) During 2004, California State Board of Equalization.

To separate out household from business spending, all household spending is assumed to occur in retail stores and all business-to-business spending is assumed to occur in non-retail stores. As shown in Table B.1, non-retail stores include "Business and Personal Services" and "All Other Outlets". Both categories are largely composed of retail establishments that sell primarily to businesses. The "All Other Outlets" category primarily includes manufacturing, warehousing and other establishments that sell primarily to businesses. There is some overlap in the source of spending (household versus business) across all retail (store and non-store) categories but this overlap is assumed to be largely offsetting between total retail store and total non-store spending. This approach is commonly used in retail spending and sales analysis to separate household from business spending.

Per household spending estimates were generated based on statewide data for retail stores adjusted for the difference in median household income between the State and the County. San Diego's median income is about one percent less than the State's median income resulting in a commensurate adjustment to state per household spending patterns by retail store category.

San Diego per household spending is multiplied by the number of households in San Diego to estimate total spending for 2004. As shown in **Table B.2** this approach results in a total spending potential for San Diego households of \$30 billion.

**Table B.2 - Household Taxable Retail Spending Potential (2004)**

Major Business Group	<u>Total Spending</u> California Householdes (\$000s)		<u>Per Household Spending</u> State San Diego County		<u>Total Spending</u> San Diego Households (\$000s)
Households		12,015,591	1,043,221		
Median Household Income		\$ 47,493	\$ 47,067		
<u>Household Spending and Sales</u>		<u>Per Household Spending</u>			
Apparel Stores	\$ 16,957,000	\$ 1,411	\$ 1,399	\$ 1,459,000	
General Merchandise	53,940,000	4,489	4,449	4,641,000	
Specialty	48,962,000	4,075	4,038	4,213,000	
Grocery	19,826,000	1,650	1,635	1,706,000	
Food and Beverage	43,275,000	3,602	3,569	3,724,000	
Household	16,405,000	1,365	1,353	1,412,000	
Building Material	34,155,000	2,843	2,817	2,939,000	
Automotive	103,529,000	8,616	8,539	8,908,000	
Other Retail Stores	13,124,000	1,092	1,082	1,129,000	
Total - Consumer	\$ 350,173,000	\$ 29,143	\$ 28,882	\$ 30,131,000	

Source: U.S. Census, Table P53; California Department of Finance, Rerpot E-5; Table A.1; MuniFinancial.

## CAPTURE AND LEAKAGE

Capture and leakage are common concepts used in retail analysis. Not all local household spending occurs in San Diego County; some spending leaks out to other areas when residents travel or are otherwise attracted to retail opportunities outside the County. Furthermore, not all retail store sales in San Diego County are generated by local households; some are captured by stores from customers visiting the County from other locations including Mexico. Given San Diego's attractiveness as a tourist destination and its proximity to the Mexican border, one would expect that a significant share of total retail store sales would represent capture of visitor spending.

Given this regional economic context, we estimated leakage rates by major store category to calculate net local household spending in San Diego County by category. We then compared this estimate of spending with actual sales by store category and calculated the amount of outside capture that the category would need to force local household spending to equal local sales. This analysis is shown in **Table B.3**. The model resulted in a leakage estimate of eight percent of household spending, and capture estimate of 14 percent of retail store sales. The differences between the estimates of local spending and sales by category shown in the middle columns are due to rounding.

**Table B.3 - San Diego County Local Household Taxable Retail Spending & Sales (2004)**

Major Business Group	A		B			C = A x (1 - B)		D = C / E		E = G x (1 - F)		F = 1 - (C / G)		G	
	Potential Spending		San Diego Households		Leakage	Local Spending/Sales Reconciliation		Based on Spending (\$000s)		Based on Sales (\$000s)		Outside Capture		San Diego County Sales (\$000s)	
Apparel Stores	\$	1,459,000			15%	\$	1,240,000		1%	\$	1,233,000		25%	\$	1,644,000
General Merchandise		4,641,000			15%		3,945,000		(0%)		3,956,000		24%		5,205,000
Specialty		4,213,000			15%		3,581,000		(0%)		3,587,000		21%		4,541,000
Grocery		1,706,000			0%		1,706,000		0%		1,702,000		2%		1,737,000
Food and Beverage		3,724,000			15%		3,165,000		0%		3,157,000		22%		4,048,000
Household		1,412,000			0%		1,412,000		0%		1,410,000		9%		1,549,000
Building Material		2,939,000			0%		2,939,000		(0%)		2,940,000		12%		3,341,000
Automotive		8,908,000			0%		8,908,000		(0%)		8,945,000		4%		9,318,000
Other Retail Stores		1,129,000			15%		960,000		(0%)		962,000		0%		962,000
Total	\$	30,131,000			8%	\$	27,856,000		(0%)	\$	27,892,000		14%	\$	32,345,000
Leakage/Capture Total					\$ 2,275,000								\$ 4,453,000		

<sup>1</sup> Difference not equal to zero due to rounding.

Source: Tables A.1 and A.2; MuniFinancial.

The leakage rates in Table B.3 that determine the local spending amounts and outside capture rates were estimated based on (1) survey data of visitor spending in San Diego estimating spending by retail category, and (2) an assumptions that comparison goods such as apparel and general merchandise are likely to have higher leakage rates compared to convenience goods such as groceries. Local households are most likely to spend on comparison goods and travel related activities outside the County in the "apparel stores", "general merchandise", "specialty", and "food and beverage" categories. For these categories a leakage rate of 15 percent was estimated. For all other categories all household spending was assumed to remain local (zero leakage). The "other retail store" was a special case in that

it was the only category where potential local spending was greater than total sales. For this category we assumed a 15 percent leakage rate to generate a zero percent capture rate.

## LOCAL SPENDING SHARE OF TOTAL SALES

The share of total retail sales in the County associated with spending by local residential development can be calculated from the results of Tables B.1 and B.3. As shown in **Table B.4**, an estimated 62.6 percent of total retail spending (store and non-store) is associated with spending by residential development (households) located in San Diego County.

**Table B.4: Allocation of Taxable Retail Spending in San Diego County (2004)**

	Taxable Retail Sales (\$000s)	Share
Total Taxable Retail Spending	\$ 44,470,000	100.0%
Local Residential Taxable Spending	27,856,000	62.6%
Local Business and Visitor Taxable Spending	16,614,000	37.4%

Sources: Tables B.1, and B.3; MuniFinancial.

## VISITOR INDUSTRY SPENDING

Visitor industry spending was analyzed to validate the estimate of retail spending associated with local households. Data regarding spending by overnight visitors from the San Diego Conventions and Visitor Bureau (SDCVB) was supplemented with research on cross-border spending by residents of Mexico (primarily day visitors) to construct a comprehensive model of visitor spending. As shown in **Table B.5**, visitors spent about \$8.249 billion in San Diego County in 2004. Of the amount about \$3.901 billion was associated with hotel accommodations, food, drugs, services, and other non-retail taxable items. Taxable retail spending equaled the remaining \$4.348 billion split between two categories, “restaurants and dining” and “shopping”. This estimate of taxable retail spending is nearly equal to the estimated \$4.489 billion in capture shown at the bottom of Table B.3, suggesting that the model’s estimates of local household spending based on the SBOE data and estimated leakage rates are reasonable.

**Table B.5: Visitor Industry Retail Spending (2004)**

<u>Total Visitor Spending</u>			<u>Non-taxable</u>	<u>Taxable Retail</u>
	<u>Percent</u>	<u>Amount</u>	<u>Retail Sales</u>	<u>Sales</u>
<u>Visitor Spending (Non-Mexican Visitors - see Note)</u>				
Lodging	24%	\$ 1,324,000	\$ 1,324,000	\$ -
Restaurants & Dining <sup>1</sup>	33%	1,821,000	273,000	1,548,000
Attractions & Entertainment	10%	552,000	552,000	-
Shopping	23%	1,269,000	-	1,269,000
Other	10%	552,000	552,000	-
Subtotal	100%	\$ 5,518,000	2,701,000	\$ 2,817,000
<u>Visitor Spending (Mexican Visitors - see Note)</u>				
Lodging <sup>2</sup>	[Incl. in "Other"]		NA	NA
Restaurants & Dining <sup>1,3</sup>	5%	137,000	21,000	116,000
Attractions & Entertainment <sup>2</sup>	[Incl. in "Other"]		NA	NA
Shopping <sup>4</sup>	52%	1,420,000	-	1,420,000
Other <sup>5</sup>	43%	1,174,000	1,174,000	-
Subtotal	100%	\$ 2,731,000	\$ 1,195,000	\$ 1,536,000
<u>Total Taxable Retail Visitor Spending</u>				
Lodging				NA
Restaurants & Dining				\$ 1,664,000
Attractions & Entertainment				NA
Shopping				2,689,000
Other (primarily groceries)				-
Total				\$ 4,353,000

Note: Non-Mexican visitor spending data based on San Diego Conventions & Visitor Bureau (SDCVB) estimates. Shares by category based on a 2002 visitor survey. The survey focused on overnight visitors and therefore excluded most spending by visitors from Mexico because a large majority of visits are day trips. This study assumes that the SDCVB estimates exclude all Mexican visitor spending. Mexican visitor spending is based on the Ghaddar and Brown study.

<sup>1</sup> Non-taxable retail sales represent tips for service estimated by SDCVB. Same percentage applied to estimate of visitor spending from Mexico.

<sup>2</sup> The Ghaddar and Brown study did not separate out this category in estimates of spending.

<sup>3</sup> Ghaddar and Brown study did not separate out this category for California estimates. Share of spending estimated at one-half of share estimated for Texas and Arizona Mexican visitors based on a higher percentage of day trips in California. Share deducted from food and groceries category.

<sup>4</sup> Includes the clothing (46 percent) and appliances and furniture (six percent) from Ghaddar and Brown study.

<sup>5</sup> Includes groceries (32 percent) personal hygiene (five percent) and other (six percent) from Ghaddar and Brown study.

Sources: San Diego Conventions & Visitor Bureau, *San Diego County Visitor Industry Summary (2004)*; San Diego Conventions & Visitors Bureau, email from Susan Bruinzeel, June 11, 2006; Ghaddar, Suad and Cynthia J. Brown, *The Economic Impact of Mexican Visitors Along the U.S.-Mexico Border: A Research Synthesis*, Center for Border Economic Studies, University of Texas-Pan American, December 2005, Table 4, Figures 1,2, and 3; MuniFinancial.

The only significant discrepancy between the visitor spending estimates based on SDCVB and Mexican visitor survey data, and the outside capture estimates based on the SBOE data, is in the food and beverage category. The visitor spending data for restaurants and dining, substantially the same category as the SBOE food and beverage category, resulted in an



estimate of \$1,664 million in taxable spending (see Table B.5). The SBOE model resulted in an outside capture estimate of \$883 million (see the difference between total sales and the local spending estimate for this category in Table B.3). The visitor spending estimate of \$1,664 million would represent a significant share, about 41 percent, of total sales in the SBOE food and beverage category. Consequently, we suspect that the visitor survey data probably overestimates spending in this category. Rather than reduce estimates of total capture, the approach taken for this study assumes that the visitor survey data underestimates taxable retail spending by an equal amount across all other categories. Therefore the estimate of total retail sales associated with local household spending remains a reasonable estimate for the purposes of this analysis (shifting the burden of commercial traffic associated with local household spending to residential land uses).



## APPENDIX C: LOCAL AGENCY IMPLEMENTATION CHECKLISTS

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This appendix presents the steps that local agencies are required to take when adopting and updating a funding program to implement the RTCIP. The first checklist describes steps for initial adoption of the RTCIP impact fee and the second checklist shows steps for the required annual and five-year updates. These checklists follow a timeline that meets the requirements established by the California Government Code section 60017 and the TransNet Ordinance.



## INITIAL RTCIP FEE ADOPTION – LOCAL AGENCY IMPLEMENTATION CHECKLIST

Note: Local agencies with existing impact fee programs that meet the requirements of the RTCIP impact fee may not need to complete all steps outlined below.

- |                          |  |                      |
|--------------------------|--|----------------------|
| <input type="checkbox"/> | <b>Prepare initial Funding Program<sup>1</sup></b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Estimate annual RTCIP impact fee revenues</li> <li><input type="checkbox"/> Identify Regional Arterial System<sup>2</sup> improvements (location and description) and estimate costs</li> <li><input type="checkbox"/> Estimate construction schedule and program RTCIP impact fee for identified improvements (minimum five-year planning horizon)</li> <li><input type="checkbox"/> For improvements to be funded with RTCIP fees and other revenues, identify the anticipated source, amount, and timing of other revenues</li> <li><input type="checkbox"/> Work with adjacent local agencies if improvements extend beyond boundaries</li> <li><input type="checkbox"/> Optional – Prepare local nexus study (if required to substitute for or supplement SANDAG's <i>RTCIP Impact Fee Nexus Study</i>)</li> </ul> | 2007                 |
| <input type="checkbox"/> | <b>Prepare fee adoption documents for Council action</b> <ul style="list-style-type: none"> <li><input type="checkbox"/> Draft ordinance and resolution to enable local agency to impose RTCIP impact fee</li> <li><input type="checkbox"/> If using SANDAG's <i>RTCIP Impact Fee Nexus Study</i> revise Funding Program <del>based on updated fee schedule</del></li> </ul>   | Early 2008           |
| <input type="checkbox"/> | <b>Prepare for Council public hearing and fee adoption<sup>3</sup></b> <ul style="list-style-type: none"> <li><input type="checkbox"/> At least 14 days prior mail notice to any interested party that has filed a written request to be notified</li> <li><input type="checkbox"/> At least 10 days prior make nexus study, Funding Program, and fee schedule available to public</li> <li><input type="checkbox"/> At least 10 days prior publish notice of meeting</li> <li><input type="checkbox"/> Place public hearing and adoption of ordinance/resolution on agenda of regularly scheduled meeting</li> </ul>  | Before April 1, 2008 |

<sup>1</sup> The term "Funding Program" is used in the Regional Transportation Congestion Improvement Program of the *TransNet Extension*, Ordinance and Expenditure Plan (RTCIP). The Funding Program as described herein is designed to meet certain requirements of both the RTCIP and the Mitigation Fee Act (*California Government Code* Sections 66000-660025).

<sup>2</sup> The Regional Arterial System is defined by SANDAG. See San Diego Association of Governments (SANDAG), *Final 2030 Regional Transportation Plan, Mobility 2030* (February 2005) and applicable amendments.

<sup>3</sup> *California Government Code* Sections 6062, 66002, 66016(a), 66018, and 65090.

- ☐ **Adopt RTCIP impact fee and Funding Program at regularly scheduled Council meeting and submit to Independent Taxpayer Oversight Committee<sup>4</sup>** By April 1, 2008
- ☐ **Incorporate RTCIP impact fee and Funding Program into local agency's FY 2008-09 budget process<sup>5</sup>** By July 1, 2008
  - ☐ Establish separate account for collection of fee revenue
  - ☐ Appropriate annual estimate of fee revenues and expenditures
- ☐ **Collect RTCIP impact fee** By July 1, 2008
  - ☐ Fees become effective no sooner than 60 days following adoption<sup>6</sup>
  - ☐ Collect at same time as other building permit fees
  - ☐ Deposit revenues in separate account

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<sup>4</sup> RTCIP, Section A(5).

<sup>5</sup> *California Government Code* Section 66007(b). Adoption of the Funding Program and appropriation of fee revenues will enable collection of the fee at building permit issuance rather than at final inspection or issuance of certificate of occupancy.

<sup>6</sup> *California Government Code* Section 66017(a).

## ANNUAL AND FIVE-YEAR RTCIP FEE UPDATE - LOCAL AGENCY IMPLEMENTATION CHECKLIST

Note: Local agencies with existing impact fee programs that meet the requirements of the RTCIP impact fee will need to integrate the steps outlined below into the periodic update of their existing programs.

Note: Years shown are for the first fiscal year of RTCIP implementation. Schedule would repeat annually thereafter.

- ☐ **Receive transmittal from SANDAG of RTCIP impact fee schedule updated for cost inflation** By February 1 (2009)
  
- ☐ **Update Funding Program<sup>7</sup>** February (2009)
  - ☐ Estimate annual RTCIP impact fee revenues
  - ☐ Update Regional Arterial System<sup>8</sup> improvements (location and description) and estimated costs
  - ☐ Update construction schedule and program RTCIP impact fee for identified improvements (minimum five-year planning horizon)
  - ☐ For improvements to be funded with RTCIP fees and other revenues, identify the anticipated source, amount, and timing of other revenues
  - ☐ Continue to work with adjacent local agencies if improvements extend beyond boundaries
  - ☐ Optional – Update local nexus study (if required to substitute for or supplement SANDAG *RTCIP Impact Fee Nexus Study*)
  
- ☐ **Prepare for Council public hearing and fee update<sup>9</sup>** March (2009)
  - ☐ Draft resolution updating fee schedule
  - ☐ At least 14 days prior mail notice to any interested party that has filed a written request to be notified
  - ☐ At least 10 days prior make nexus study, Funding Program, and fee schedule available to public
  - ☐ At least 10 days prior publish notice of meeting

<sup>7</sup> The term “Funding Program” is used in the Regional Transportation Congestion Improvement Program of the *TransNet Extension*, Ordinance and Expenditure Plan (RTCIP). The Funding Program as described herein is designed to meet certain requirements of both the RTCIP and the Mitigation Fee Act (*California Government Code* Sections 66000-660025).

<sup>8</sup> The Regional Arterial System is defined by SANDAG. See San Diego Association of Governments (SANDAG), *Final 2030 Regional Transportation Plan, Mobility 2030* (February 2005) and applicable amendments.

<sup>9</sup> *California Government Code* Sections 6062, 66002, 66016(a), 66018, and 65090.

- ☐ **Adopt updated RTCIP impact fee and Funding Program at regularly scheduled Council meeting and submit to Independent Taxpayer Oversight Committee (ITOC)<sup>10</sup>** By April 1 (2009)
- ☐ **Update RTCIP impact fee and Funding Program as part of local agency's annual budget process<sup>11</sup>** By July 1 (2009)
  - ☐ Appropriate annual estimate of fee revenues and expenditures
- ☐ **Prepare Annual RTCIP report based on audited financial data for prior fiscal year <sup>12</sup>** Fall (2009)
  - ☐ Brief description of the fee
  - ☐ Fee schedule
  - ☐ Fiscal year beginning and ending balance of fee account
  - ☐ Fee revenue collected and interest earned
  - ☐ Identification of each improvement funded by the fee and amount of the expenditures on each improvement including the total percentage of the public improvement cost funded with fees
  - ☐ Identification of an approximate date by which the construction of the improvement will commence if the local agency determines that sufficient funds have been collected to complete the improvement (may refer to adopted Funding Program)
  - ☐ Description of each interfund transfer or loan made from the account including the public improvement on which the transferred or loaned fees will be expended, and, in the case of an interfund loan, the date on which the loan will be repaid, and the rate of interest that the account or fund will receive on the loan.
  - ☐ Amount of refunds made, if any
- ☐ **Submit Funding Program and Annual RTCIP report to ITOC<sup>13</sup>** Fall (2009)

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<sup>10</sup> RTCIP, Section A(5).

<sup>11</sup> *California Government Code* Section 66007(b). Adoption of the Funding Program and appropriation of fee revenues will enable collection of the fee at building permit issuance rather than at final inspection or issuance of certificate of occupancy.

<sup>12</sup> *California Government Code* Section 66006(b)(1) and RTCIP, Section G(2).

<sup>13</sup> (RTCIP, Section G(2). This schedule may require amendment of Section G(2).



- ☐ **Submit Funding Program and Annual RTCIP report to Council<sup>14</sup>** January 1 (2010)
  - ☐ Make annual RTCIP report available to the public
  - ☐ Review annual RTCIP report at regularly scheduled Council meeting at least 15 days following issuance of report (by January 15)
  - ☐ At least 15 days prior to review of annual RTCIP report at regularly scheduled Council meeting mail notice to any interested party that has filed a written request to be notified
  
- ☐ **Prepare and submit Five-Year RTCIP Report to ITOC<sup>15</sup>** Fall (2013)
  - ☐ To be done after the end of every five years following adoption of the program in FY 2008-09
  - ☐ Use Funding Program as basis for report
  - ☐ Identify the purpose of the fee, i.e. improvement of Regional Arterial System to accommodate new development
  - ☐ Demonstrate a reasonable relationship between the fee and the purpose of the fee by referencing the Funding Program and showing that anticipated fee revenues are fully programmed to fund planned improvements
  - ☐ Identify sources, amounts, and timing of other revenues if needed to complete planned improvements
  - ☐ Fee revenues not committed to a planned improvement within five years of collection must be refunded to the ITOC
  
- ☐ **Prepare and submit Five-Year RTCIP Report to Council<sup>16</sup>** January 1 (2014)
  - ☐ To be done after the end of every five years following adoption of the program in FY 2008-09

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<sup>14</sup> *California Government Code* Section 66006(b)(2).

<sup>15</sup> RTCIP, Section G(4). This schedule may require amendment of Section G(4).

<sup>16</sup> *California Government Code* Section 66001(d).

